

Message Text

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C O N F I D E N T I A L NAHA 223

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E. O. 11652: NA

TAGS: BDIS PFOR JA

SUBJ: FOREMOST DAIRIES MILK POWDER IMPORT QUOTA

1. SUMMARY: THROUGH DELAY IN ANNOUNCING QUOTAS, FOREMOST DAIRIES CANNOT IMPORT INTO OKINAWA MILK POWDER FOR WHITE MILK PRODUCTION DURING JUNE. ONLY WAY CONTINUE PRODUCTION IS USE JAPANESE MILK POWDER WHICH WILL CAUSE TWO MILLION YEN LOSS. FOREMOST WILLING ACCEPT TEMPORARY LOSS IF IT CAN BE MADE UP BY USE OF IMPORTED MILK POWDER IN HIGHER- PRICED ITEMS SUCH AS ICE CREAM LATER; BUT LOCAL CUSTOMS UNABLE AUTHORIZE THIS PROCEDURE. LOCAL FOREMOST REPRESENTATIVE, GUNTHER DE GROOT, HAS EXHAUSTED POSSIBILITIES LOCAL REMEDIAL ACTION AND PLANS GO TO TOKYO MAY

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28 TO CALL ON RESPONSIBLE OFFICIAL. REQUEST EMBASSY ASSISTANCE. END SUMMARY.

2. IN ORDER KEEP DOWN PRICE OF WHITE MILK IN OKINAWA AFTER REVERSION, GOJ PERMITTED IMPORTS OF CHEAP MILK POWDER FOR USE IN PRODUCTION OF WHITE MILK AT LOW RATE OF DUTY UNDER QUOTA SYSTEM. USE OF IMPORTED POWDER IN HIGHER- PRICE ITEMS SUCH AS ICE CREAM AND CHOCOLATE MILK NOT PERMITTED BY CUSTOMS REGULATIONS. QUOTAS ANNOUNCED BIANNUALLY BY MINAGRICULTURE, USUALLY IN EARLY APRIL FOR APRIL THROUGH SEPTEMBER PERIOD AND IN EARLY OCTOBER; HOWEVER, QUOTA FOR APRIL THROUGH SEPTEMBER 1973 WILL NOT BE ANNOUNCED UNTIL EARLY JUNE. FOREMOST STOCKS OF MILK

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POWDER WILL BE EXHAUSTED BY JUNE 1. AFTER WAITING FOR QUOTA ANNOUNCEMENT, ORDERING AND DELIVERY, NEW STOCKS OF IMPORTED MILK POWDER WILL NOT ARRIVE UNTIL EARLY JULY AT BEST. FOREMOST WAS PROMISED LOAN OF ENOUGH TO MAKE UP SHORTFALL BY MEIJI MILK, UNDER GOJ ADMIN GUIDANCE, BUT MEIJI HAS NOW RENEGED.

3. ACCORDING DE GROOT, LOCAL GOJ MINAGRICULTURE AND CUSTOMS OFFICIALS WOULD PREFER THAT FOREMOST USE NON- QUOTA POWDER (I. E. JAPANESE MADE) FOR WHITE MILK PRODUCTION, BUT AT 175 YEN PER POUND FOR JAPANESE POWDER VERSUS 71 YEN PER POUND FOR

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IMPORTED POWDER, ONE MONTH' S PRODUCTION WOULD CAUSE LOSS OF TWO MILLION YEN UNLESS PRICES WERE RAISED. FOREMOST, WITH ONLY 10 PERCENT SHARE OF MARKET, DOES NOT WANT TO RAISE PRICES. FOREMOST HAS SUGGESTED TO AGRICULTURE AND CUSTOMS OFFICIALS THAT IT USE JAPANESE MILK POWDER IN WHITE MILK PRODUCTION DURING JUNE AND, AFTER OBTAINING QUOTA POWDER, USE EQUAL AMOUNT OF QUOTA POWDER IN PRODUCTION OF HIGHER- PRICED ITEMS SUCH AS CHOCOLATE MILK AND ICE CREAM. PROPOSAL NOT ACCEPTABLE TO LOCAL GOJ OFFICIALS, WHO ACCORDING DE GROOT APPEAR SYMPATHETIC TO PROBLEM BUT UNABLE TO SOLVE IT. UNLESS PROBLEM SOLVED LOCALLY BY MAY 26, DE GROOT PLANS GO TO TOKYO MAY 28 TO SEEK SOLUTION. CONGEN CONFIRMED PROPOSAL BEYOND AUTHORITY LOCAL CUSTOMS OFFICIALS.

4. ADMITTING THAT PROJECTED LOSS OF TWO MILLION YEN IS NOT LARGE IN ABSOLUTE TERMS, DE GROOT EMPHASIZED IMPORTANCE OF AMOUNT, GIVEN FOREMOST' S RELATIVELY SMALL INVESTMENT BASE AND MARKET IN OKINAWA, TEN PERCENT SHARE OF MARKET, AND FACT THAT FOREMOST OPERATION HAS JUST BEEN TURNED AROUND AFTER RUNNING UP TWO HUNDRED THOUSAND DOLLAR DEFICIT IN 1970 AND 1971. ADDITIONALLY, DE GROOT CONCERNED ON PRINCIPLE: WHY SHOULD FOREMOST ACCEPT LOSS

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CAUSED BY DELAY IN ANNOUNCING QUOTA?

5. ACTION REQUESTED: FACILITATE COMMUNICATION BETWEEN DE GROOT AND RESPONSIBLE GOJ OFFICIALS.

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